

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Within 35 days of the date of publication of this notice in the **Federal Register** or within such longer period (1) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (2) as to which the self-regulatory organization consents, the Commission will:

(A) By order approve such proposed rule change; or

(B) Institute proceedings to determine whether the proposed rule change should be disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for inspection and copying in the Commission's Public Reference Room, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of such filings will also be available for inspection and copying at the principal office of the CSE. All submissions should refer to File No. SR-CSE-98-02 and should be submitted by September 21, 1998.

For the Commission, by Division of Market Regulation, pursuant to the delegated authority.⁷

Jonathan G. Katz,

Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-40357; File Nos. SR-DTC-98-12, SR-PTC-98-02]

The Depository Trust Company; Participants Trust Company; Order Approving a Proposed Rule Change Relating to a Merger Between the Depository Trust Company and Participants Trust Company

August 24, 1998.

On May 29, 1998, The Depository Trust Company ("DTC") filed with the Securities and Exchange Commission ("Commission") and on June 2, 1998, Participants Trust Company ("PTC") filed with the Commission proposed rule changes (File Nos. SR-DTC-98-12 and SR-PTC-98-02) pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act").¹ Notice of the proposals was published in the **Federal Register** on June 30, 1998.² No comment letters were received. For the reasons discussed below, the Commission is approving the proposed rule changes.

I. Description

The rule changes relate to the arrangements for a merger between DTC and PTC. Under the arrangements for the proposed merger, PTC will merge with and into DTC, and DTC will make certain payments to PTC's shareholders. For at least two years after the effective date of the merger, DTC will provide the services currently offered by PTC in a separate division of DTC, called the MBS Division. The current rules and procedures of PTC with respect to dispository services, the processing of transactions in PTC-eligible securities, and the PTC participants fund will become part of the rules and procedures of DTC and will be applied to the business of the MBS Division.³

PTC's participants, most of which are also DTC participants, will continue to have access to the depository services now being offered through DTC's MBS Division.⁴ In addition, DTC will offer

¹ 15 U.S.C. 78s(b)(1).

² Securities Exchange Act Release No. 40121 (June 24, 1998), 63 FR 30543.

³ On July 13, 1998, DTC submitted a rule filing to the Commission [File No. SR-DTC-98-15] to amend its rules and procedures to provide for the MBS Division and to accommodate the application of PTC's current rules and procedures to the MBS Division's business.

⁴ The Commission understands that the only PTC participants that are not DTC participants are

PTC participants that are not DTC participants an opportunity to become participants of the MBS Division.

II. Discussion

Section 17A(b)(3)(F) of the Act⁵ requires that the rules of a clearing agency be designed to promote the prompt and accurate clearance and settlement of securities transactions and to assure the safeguarding of securities and funds which are in the custody or control of the clearing agency of for which it is responsible. The Commission believes that the proposed rule changes are consistent with DTC's and PTC's obligations under Section 17A(b)(3)(F). Because the rules and procedures of PTC, which previously have been approved by the Commission, will become the rules and procedures of DTC's MBS Division, the Commission believes that the arrangements for the merger between DTC and PTC should ensure that securities transactions that are currently processed through PTC will continue to be processed efficiently through DTC's MBS Division. In addition, the Commission believes that the arrangements for the merger provide for the orderly transfer of PTC's operations to DTC and therefore should assure the safeguarding of securities and funds which are in PTC's custody or control or for which it is responsible.

III. Conclusion

On the basis of the foregoing, the Commission finds that the proposals are consistent with the requirements of the Act and in particular with the requirements of Section 17A of the Act and the rules and regulations thereunder.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act, that the proposed rule changes (File Nos. SR-DTC-98-12 and SR-PTC-98-02) be and hereby are approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁶

Jonathan G. Katz,

Secretary.

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Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, and The Federal Reserve Bank of Cleveland.

⁵ 15 U.S.C. 78q-1(b)(3)(F).

⁶ 17 CFR 200.30-3(a)(12).

⁷ 17 CFR 200.30-3(a)(12).